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THE FTC AND THE GENERIC DOCTRINE: A NEW Rx FOR PHARMACEUTICAL TRADEMARKS

I. INTRODUCTION

Pharmaceutical trademarks may soon be the target of heightened scrutiny by the Federal Trade Commission (FTC). The Commission has recently declared that it will be "on the lookout"¹ for situations where a trademark has become generic.² This new vigilance in the area of trademarks has caused concern among some trademark owners especially in light of two recent FTC actions.³

In *In re Borden, Inc.*,⁴ an Administrative Law Judge of the FTC ordered compulsory licensing⁵ of REALEMON, a trademark of Borden, Inc. The other significant action took place in 1978 when the FTC moved to cancel the trademark FORMICA on the sole ground that it had become generic.⁶ Because both actions were virtually unprecedented,⁷ they have attracted a great deal of attention and have engen-

1. See Dixon, *Trademarks, the Federal Trade Commission, and the Lanham Act*, 68 TRADE-MARK REP. 463 (1978).

2. A generic term cannot serve as a trademark. A generic term designates a general type or class of product, or a common name of a product, e.g., basketball, razor blade, or candy.

The name of a product or service itself—what it is—is the very antithesis of a mark. In short, a generic name of a product can never function as a trademark to indicate origin. The terms "generic" and "trademark" are mutually exclusive. . . . [T]he function of a mark is to identify and distinguish the goods or services of one seller from those sold by all others. A mark answers the buyer's question "Who are you? Where do you come from?" But the name of the product answers the question "What are you?"

1 J. MCCARTHY, TRADEMARKS AND UNFAIR COMPETITION § 12:1, at 405-06 (footnotes omitted).

3. *In re Borden, Inc.*, 92 F.T.C. 669 (1978); Federal Trade Comm'n v. Formica Corp., 200 U.S.P.Q. 182 (T.T.A.B. 1978). See 382 PAT. T.M. & COPYRIGHT J. A-1 (1978).

4. *In re Borden, Inc.*, 92 F.T.C. 669 (1978); *FTC Judge Orders Compulsory Licensing of "ReaLemon" Trademark*, 294 PAT. T.M. & COPYRIGHT J. A-1 (1976).

5. Compulsory licensing would make a trademark that was at one time exclusive to the owner of the trademark available to competitors for a certain period of time. See Dobb, *Compulsory Trademark Licensure as a Remedy for Monopolization*, 68 TRADEMARK REP. 505 (1978).

6. See Federal Trade Comm'n v. Formica Corp., 200 U.S.P.Q. 182 (T.T.A.B. 1978); 382 PAT. T.M. & COPYRIGHT J. A-1 (1978). See also *Formica Corp. v. Lefkowitz*, 200 U.S.P.Q. 641 (C.C.P.A. 1979) (writ of mandamus denied).

7. The 1976 ordering of compulsory trademark licensure of REALEMON was a novel form of relief in a monopolization case. The *Formica* action was unprecedented because it was the first time that a governmental agency, rather than a competitor, had sought cancellation of a trademark on the grounds of genericness.

dered a great deal of criticism.⁸ The pharmaceutical industry has been particularly concerned, fearing that the decisions may open a new front on which to attack pharmaceutical trademarks.⁹ This comment will analyze the *REALEMON* and *Formica* actions and will examine pharmaceutical trademarks in light of these recent developments.

II. THE *REALEMON* DECISION

In August 1976, Administrative Law Judge Daniel H. Hanscom ordered compulsory licensing of the Borden, Inc. *REALEMON* trademark.¹⁰ The case was the result of a complaint filed July 2, 1974,¹¹ by the Federal Trade Commission, charging that Borden had violated section 5 of the Federal Trade Commission Act¹² by monopolizing the

8. I conclude that compulsory trademark licensing, rather than constituting wise and vigorous antitrust enforcement, is a sloppy and imprecise antitrust remedy since no one can predict with accuracy its competitive effect upon a market. Forced licensing of a trademark is simply an unworkable and self-defeating form of antitrust enforcement. Even if one accepts the viability of the remedy in a rare case, it must at least be recognized as the most drastic last resort when all else fails. Several other forms of remedies less offensive to the law, less dangerous to the consumer, less punitive to the trademark owner and more likely to achieve pro-competitive results are available and must be tried before one even considers compulsory licensing of a trademark.

McCarthy, *Compulsory Licensing of a Trademark: Remedy or Penalty?*, 67 TRADEMARK REP. 197, 253-54 (1977) [hereinafter cited as *Compulsory Licensing*]. See also Ball, *Government Versus Trademarks: Today—Pharmaceuticals, ReaLemon and Formica—Tomorrow?*, 68 TRADEMARK REP. 471 (1977); Palladino, *Compulsory Licensing of a Trademark*, 26 BUFFALO L. REV. 457 (1977); *FTC Official Defends Challenge of "Formica"*, 436 PAT. T.M. & COPYRIGHT J. A-9 (1979).

9. There is every indication that so long as the "consumerist movement" continues to gain momentum, the absorption of governmental officials in the area of consumer protection will increase proportionately. Regrettably, many activists, both in and out of government, regard trademarks and "consumer protection" as mutually exclusive. Nowhere has this been more evident than in the field of pharmaceuticals. . . . It should not be inferred from this that the current assaults on the trademark system are primarily limited to one industry. In the past, some trademark owners in other fields have been of the opinion that, because of the unique characteristics [brand name versus generic drugs] of the pharmaceutical industry, the controversy would be contained in that particular arena. Those who have been involved in the debate over pharmaceutical trademarks, however, recognize familiar themes in the arguments advanced by the FTC in the *ReaLemon* and *Formica* matters.

Ball, *supra* note 8, at 473-74.

10. *FTC Judge Orders Compulsory Licensing of "ReaLemon" Trademark*, 294 PAT. T.M. & COPYRIGHT J. A-1 (1976).

11. See *FTC Issues Monopolization Complaint; Mandatory Trademark Licensing Sought*, 186 PAT. T.M. & COPYRIGHT J. A-3 (1974).

12. 15 U.S.C. § 45 (1976). Section 5 provides that:

(a)(1) Unfair methods of competition in or affecting commerce, and unfair . . . acts or practices in or affecting commerce, are declared unlawful.

. . . .

(b) Whenever the Commission shall have reason to believe that any . . . corporation has been or is using any unfair method of competition or unfair . . . act or practice in or affecting commerce, and if it shall appear to the Commission that a proceeding by it in respect thereof would be to the interest of the public, it shall issue and serve upon such . . . corporation a complaint stating its charges in that respect

marketing and sale of reconstituted lemon juice. Finding that the REALEMON trademark was a powerful force in the marketplace and that the "dominance of the REALEMON brand and the acceptance of the brand by the public . . . constitutes a substantial barrier to the entry of new bottled lemon juice marketers,"¹³ Judge Hanscom concluded that the REALEMON mark, "the heart of the monopoly power," must be eliminated.¹⁴

Reasoning that there is nothing essentially different about compulsory licensing of a patent, a remedy used in the past when a patent has been determined the source of an antitrust violation,¹⁵ and compulsory licensing of a trademark, Judge Hanscom ordered that Borden must

for a period of ten years from the date of this order, upon written request from any person, partnership, corporation or business entity engaged in or desiring to enter the business of producing and marketing processed lemon juice, grant a license to such person, partnership, corporation or business entity to use the name REALEMON on containers of reconstituted lemon juice.¹⁶

It was further ordered that Borden would advertise the availability of the licensing provisions in three trade journals for a period of five years and that an independent third party, or a party acceptable to both Borden and the licensee, would administer quality control standards throughout the licensing period. Borden was also awarded a nominal royalty of not more than one-half of one percent of the dollar sales of reconstituted lemon juice marketed under the trademark.¹⁷

Compulsory patent licensing makes technology that was at one time exclusive to the owner of the patent available to competitors. Competitors can thereby enter a market theretofore dominated by the patentee. Judge Hanscom's analogy to compulsory patent licensing in the REALEMON trademark case has been criticized as being inappro-

Id.

The creation and maintenance of monopoly power alleged in *Borden* is in violation of section 2 of the Sherman Antitrust Act, 15 U.S.C. § 2 (1976), and as such is within the scope of section 5.

13. *FTC Judge Orders Compulsory Licensing of "ReaLemon" Trademark*, 294 PAT. T.M. & COPYRIGHT J., A-1 (1976).

14. *Id.*

15. *See, e.g.*, *United States v. Glaxco Group Ltd.*, 410 U.S. 52 (1973); *United States v. United States Gypsum Co.*, 340 U.S. 76 (1950); *Charles Pfizer & Co. v. Federal Trade Comm'n*, 401 F.2d 574, 585-86 (6th Cir. 1968), *cert. denied*, 394 U.S. 920 (1969). *See also* Comment, *Patent Law and Drug Prices: Implications of the Roche Case*, 4 SYR. J. INT'L L. & COM. 189 (1976).

16. *FTC Judge Orders Compulsory Licensing of "ReaLemon" Trademark*, 294 PAT. T.M. & COPYRIGHT J., A-1, A-1 (1976).

17. *Id.*

priate and of questionable constitutionality.¹⁸

The bulk of the *REALEMON* criticism has been directed at the fact that compulsory licensing focuses on antitrust concerns while ignoring trademark interests. Starting with the proposition that antitrust civil remedies are to be remedial and not punitive¹⁹ it is argued that invalidation of a trademark exceeds the antitrust violation sought to be cured.²⁰ Antitrust remedies should be fashioned to cure the unfair practices found to be violative of the antitrust laws.²¹ Because compulsory licensing is aimed directly at the trademark, it is a remedy that ignores rights that have accrued in the trademark and crosses the line from being remedial to being punitive.²²

A trademark can be the source of monopoly power.²³ For example, when a mark has become generic, it confers upon its holder exclusive use of a term that describes a class of products, making it almost impossible for competitors to effectively describe their goods in the marketplace without infringing the trademark and risking litigation. In such a situation, the law has repeatedly recognized that the generic nature of the mark justifies cancellation.²⁴

18. Because of the basic differences in licensing requirements between patents and trademarks, the remedy of compulsory patent licensing cannot be relied upon as precedent for compulsory trademark licensing. Compulsory trademark licensing carries with it the seeds of consumer deception and total destruction of rights in the trademark. Such a remedy creates the danger that it will not prove remedial or pro-competitive, and will not serve the cause of competitive vigor. Forced trademark licensing thus may be a misnomer for what in practice can result in an improperly punitive confiscation of private property.

Compulsory Licensing, *supra* note 8, at 253.

19. Antitrust injunctive remedies are to be remedial only and "should not be punitive." *United States v. National Lead Co.*, 332 U.S. 319, 357 (1947). See *Compulsory Licensing*, *supra* note 8, at 208.

20. "While the courts and the Federal Trade Commission have broad and sweeping antitrust remedial powers, that power should be wisely exercised so as to frame only remedial and not punitive or confiscatory orders in the wake of an antitrust violation." *Compulsory Licensing*, *supra* note 8, at 253.

21. Under the FTC Act, the remedy selected by the Commission must bear some "reasonable relation to the unfair practices found to violate section 5." *L.G. Balfour Co. v. Federal Trade Comm'n*, 442 F.2d 1, 23 (7th Cir. 1971).

22. "Orders of the Federal Trade Commission are not intended to impose criminal punishment or exact compensatory damages for past acts, but to prevent illegal practices in the future." *Federal Trade Comm'n v. Ruberoid Co.*, 343 U.S. 470, 473 (1952).

23. "The trade mark may become a detrimental weapon if it is used to serve a harmful or injurious purpose. If it becomes a tool to circumvent free enterprise and unbridled competition, public policy dictates that the rights enjoyed by its ownership be kept within their proper bounds." *United States v. Timken Roller Bearing Co.*, 83 F. Supp. 284, 316 (N.D. Ohio 1949), *aff'd and modified*, 341 U.S. 593 (1951).

24. See, e.g., *Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 343 F.2d 655 (7th Cir. 1965) (holding "yo-yo" to be generic for return tops); *King Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577 (2d Cir. 1963) (holding "thermos" to be generic for vacuum insulated containers);

An antitrust violation where a trademark is involved, however, does not necessarily mean that the mark has become generic.

A finding that a generic term has been used as a trademark implies the existence of antitrust monopoly power and therefore justifies invalidation; such a trademark is of no value to the public. The converse does not hold true, however. A finding of antitrust monopoly power in a market dominated by a product sold under a trademark does not necessarily imply genericness, and, consequently, does not justify invalidation; the trademark, though misused, is in all likelihood valid.

The great danger in ordering compulsory licensing of a trademark for a violation of antitrust law is that the step may be taken without any consideration of its impact on trademark interests. If a term acquires such extraordinary power that it is unlawful to permit its exclusive appropriation, a declaration of genericness is entirely appropriate, and will promote both antitrust and trademark interests. If, on the other hand, a trademark is used to violate the antitrust laws, but it is not a generic term, it is totally inappropriate to declare it generic *sub silentio* by means of compulsory licensing.²⁵

Genericness played a confusing role in the *REALEMON* decision. Throughout the opinion, Judge Hanscom referred to the REALEMON mark as "virtually the generic name for bottled lemon juice."²⁶ Yet the Federal Trade Commission brought the action under section 5 of the Federal Trade Commission Act,²⁷ not the appropriate section of the Lanham Act that concerns genericness.²⁸ Moreover, it was found that Borden "engaged in geographically discriminatory pricing in certain regions where competition threatened, granted discounts to key retail

DuPont Cellophane Co. v. Waxed Prod. Co., 85 F.2d 75 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936) (holding "cellophane" to be generic for transparent cellulose sheets); Nissen Trampoline Co. v. American Trampoline Co., 193 F. Supp. 745 (S.D. Iowa 1961) (holding "trampoline" to be generic for rebound tumbling nets); Bayer Co. v. United Drug Co., 272 F. 505 (S.D.N.Y. 1921) (holding "aspirin" to be generic for acetyl salicylic acid).

25. Palladino, *supra* note 8, at 463 (footnote omitted).

26. *FTC Judge Orders Compulsory Licensing of "ReaLemon" Trademark*, 294 PAT. T.M. & COPYRIGHT J. A-1, A-2 (1976).

27. 15 U.S.C. § 45 (1976).

28. *Id.* § 1064. Borden raised this point in its opening brief, arguing "that the compulsory licensing order was in effect a collateral cancellation of the trademark by the F.T.C. without following the law of genericness or the procedures of the Lanham Act." *Compulsory Licensing, supra* note 8, at 212 (footnote omitted). The FTC complaint counsel answered to the effect that Borden should be grateful that the FTC did not try to cancel the registration of the mark, saying, "The very fact that this proceeding was commenced under section 5 of the F.T.C. Act and not under the Lanham Act probably saved the ReaLemon trademark from cancellation." *Id.*

stores, and selectively lowered prices so that competitors had to sell at, or near, their own costs."²⁹ "Through such behavior, Borden was able to maintain its monopoly position."³⁰

If Borden's monopoly was threatened and only maintained by the above described anticompetitive behavior, it is difficult to conclude that the REALEMON trademark was the "basic and fundamental vehicle required and used to accomplish the violation."³¹ Thus, if anticompetitive pricing was required to maintain Borden's monopoly position, the REALEMON trademark was not the integral or crucial factor in the antitrust violation. Proof that the mark is the integral part of the antitrust violation is the standard applied to those defenses to trademark infringement provided by the Lanham Act and the general principle of unclean hands.³²

For example, proof that the mark itself is the device used to accomplish a violation of the antitrust laws³³ has been the test in cases brought under section 33(b)(7) of the Lanham Act.³⁴ This provision of the Lanham Act recognizes as a defense to trademark infringement that the mark has been used in violation of the antitrust laws.³⁵ Federal registration "carries with it a presumption of exclusive right . . . to use the word in a trademark sense"³⁶ The effect of section 33(b)(7) is to defeat the conclusive evidentiary force that federal registration pro-

29. 294 PAT. T.M. & COPYRIGHT J. at A-2 (1976).

30. *Id.*

31. *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss Jena*, 298 F. Supp. 1309, 1315 (S.D.N.Y. 1969).

32. Unclean hands is a fundamental principle of equity jurisprudence. A plaintiff seeking equitable relief may be denied relief if he comes to court guilty of any fraudulent or deceitful behavior concerning the matter in issue.

The maxim that one who comes into equity must come with clean hands expresses rather a principle of inaction than one of action. It means that equity will refuse its aid in any manner to one seeking its active interposition if he has been guilty either of unlawful or inequitable conduct respecting the subject matter of the litigation.

Carmen v. Fox Film Corp., 269 F. 928, 932 (2d Cir. 1920). Thus, a plaintiff trademark owner seeking an injunction in an infringement suit will be denied relief if the defendant shows the infringed mark to be generic or the source of an antitrust violation. *See Phi Delta Theta Fraternity v. J.A. Buchroeder & Co.*, 251 F. Supp. 968 (W.D. Mo. 1966). *See generally* Note, *The Besmirched Plaintiff and the Confused Public: Unclean Hands in Trademark Infringement*, 65 COLUM. L. REV. 109 (1965).

33. *See Forstmann Woolen Co. v. Murray Sices Corp.*, 10 F.R.D. 367, 370 (S.D.N.Y. 1950).

34. 15 U.S.C. § 1115(b)(7) (1976).

35. "The trademark registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark . . . except when one of the following defenses or defects is established: . . . (7) That the mark has been or is being used to violate the antitrust laws of the United States." *Id.*

36. *Pacific Indus., Inc. v. Minnesota Mining & Mfg. Co.*, 425 F.2d 1265, 1267 (C.C.P.A. 1970).

vides.³⁷ But the mark must be indispensable to the anticompetitive behavior before section 33(b)(7) is triggered.³⁸

The same strict standard applies under the unclean hands defense. Case law has recognized that an antitrust violation may be a good defense to a charge of trademark infringement.³⁹ In *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss Jena*,⁴⁰ the court recognized that an antitrust violation would furnish grounds for application of an unclean hands defense but the mark was required to be the integral part of the antitrust violation.⁴¹ The fact that a plaintiff may have violated the antitrust laws, and, coincidentally, also owns a trademark, does not give rise to an unclean hands defense, as the antitrust violation would be collateral to the subject matter of plaintiff trademark owner's suit.⁴² If trademark interests are to be adequately acknowledged, the same standard of proof should apply to actions brought under section 5 of the Federal Trade Commission Act as to those defenses to trademark infringement provided by the Lanham Act and the general principle of unclean hands.

Compulsory trademark licensing as a remedy in antitrust cases where a trademark is involved will likely be tantamount to cancellation of the mark. If today, for example, REALEMON is "virtually" the generic term for reconstituted lemon juice, surely after ten years of compulsory licensing, REALEMON will become a generic word. The test determining when a mark has become generic is "What do the buyers understand by the word for whose use the parties are contending?"⁴³ After ten years of seeing REALEMON on bottles of

37. Some congressional history, as well as case law dicta, lends support to the view that § 33(b)(7) provides an unclean hands defense when plaintiff's registered mark is used to violate the antitrust laws. However, this is not what the clear language of § 33(b)(7) provides. Both the language of the statute and its legislative history reveal that the effect of this section is merely to make the defense of antitrust misuse available to defeat the conclusive evidentiary force that would otherwise attach to a federal registration. That is, § 33(b)(7) merely deprives an "incontestable" federal registration of its incontestability. If the antitrust violation is used as a defense against any relief for plaintiff for trademark infringement, it must be done under the general principles of trademark misuse and unclean hands.

2 J. MCCARTHY, *supra* note 2, § 31:25, at 419 (footnotes omitted).

38. See Comment, *Trade-Marks—Trade-Mark Cancellation and Unenforceability—Use of a Trade-Mark in Violation of the Anti-Trust Laws*, 32 N.Y.U.L. REV. 1002, 1005 (1957).

39. See *Phi Delta Theta Fraternity v. J.A. Buchroeder & Co.*, 251 F. Supp. 968 (W.D. Mo. 1966); *Sanitized, Inc. v. S.C. Johnson & Sons, Inc.*, 23 F.R.D. 230 (S.D.N.Y. 1959); *Forstmann Woolen Co. v. Murray Sices Corp.*, 10 F.R.D. 367 (S.D.N.Y. 1950).

40. 298 F. Supp. 1309 (S.D.N.Y. 1969).

41. "An essential element of the antitrust misuse defense in a trademark case is proof that the mark itself has been the basic and fundamental vehicle required and used to accomplish the violation." *Id.* at 1315.

42. *Id.* at 1314-15.

43. *Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (S.D.N.Y. 1921).

reconstituted lemon juice produced by various manufacturers, the REALEMON mark will inevitably become synonymous in the public's mind with reconstituted lemon juice. Compulsory licensing, in all probability, means that the trademark owner will ultimately lose the mark.⁴⁴

III. THE *FORMICA* CASE

Citing section 14 of the Lanham Act⁴⁵ which authorizes the cancellation of a trademark if the mark has become a common descriptive name, the Federal Trade Commission on May 31, 1978, petitioned the Trademark Trial and Appeals Board to cancel the FORMICA trademark. Arguing that the average customer was likely to ask for FORMICA if he or she wanted a high pressure decorative laminate,⁴⁶ the FTC alleged that FORMICA had become the common descriptive name for decorative plastic laminates.⁴⁷ The Federal Trade Commission further charged that Formica Corporation had used its trademark to charge higher prices and to stifle competition in the plastic laminates market costing consumers an estimated \$10 million a year.⁴⁸

The *Formica* action is a landmark because it is the first time a federal agency has sought cancellation of a trademark on the grounds of genericness. In the past, competing firms either challenged the trademark directly, alleging the mark had become descriptive, or a competing firm infringed the mark and argued genericness as a defense.⁴⁹

In justifying intervention, the Federal Trade Commission argued that there is little incentive for competitors to challenge generic marks.⁵⁰ This lack of incentive stems from the fact that when a particular trademark becomes generic and is subsequently cancelled by a court, it does not mean that the mark has been expelled from the marketplace. On the contrary, after cancellation the mark is likely to appear in the marketplace in even greater numbers as all competitors are

44. The Federal Trade Commission ultimately rejected compulsory licensing in the REALEMON situation. See *In re Borden, Inc.*, 406 PAT. T.M. & COPYRIGHT J. A-1, D-1 (1978).
45. 15 U.S.C. § 1064 (1976).

46. "What else does a customer ask for if he or she wanted a high-pressure decorative laminate, besides . . . FORMICA . . ." *Newsday*, July 2, 1979, at 531.

47. 382 PAT. T.M. & COPYRIGHT J., A-1 (1978).

48. *Id.*

49. See generally *Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 343 F.2d 655 (7th Cir. 1965); *DuPont Cellophane Co. v. Waxed Prod. Co.*, 85 F.2d 75 (2d Cir.), cert. denied, 299 U.S. 601 (1936); *Bayer Co. v. United Drug Co.*, 272 F. 505, 509 (S.D.N.Y. 1921).

50. See *Dixon*, *supra* note 1, at 466.

now allowed to use the mark.⁵¹ As Paul Rand Dixon of the Federal Trade Commission describes:

For one thing, prosecuting cancellation proceedings or defending infringement suits can take a long time and cost a large amount. And after the lawyers have made their money, if the challenger has been successful, the reward must be shared with all its competitors who can now also use the generic word. As a result, an individual businessman may decide that it is not really in his best interests to challenge a competitor's generic trademark, because he will have to bear all of the cost while most of the benefit will inure to others, who get a free ride at his expense.⁵²

The Federal Trade Commission argued that in such a situation there is clearly a role for government to play in that the consuming public benefits from the cancellation of generic trademarks.⁵³ Moreover, the Commission believes that under section 14 of the Lanham Act, it is obligated as a matter of law to challenge trademarks it views as having become generic.⁵⁴

Formica is no stranger to trademark challenges. Its mark was initially challenged on the ground that it had become a generic name in *Formica Corp. v. Newnan Corp.*⁵⁵ In that case Formica opposed Newnan's application to register NEW-MICA as a trademark for its decorative laminate on the grounds that it so resembled the Formica mark that it was likely "to mislead purchasers to believe that the goods emanate from or are approved or sponsored by opposer."⁵⁶

Newnan counterclaimed seeking cancellation of the FORMICA mark on the ground that the term had become the common descriptive name of the product identified herein.⁵⁷ The Trademark Trial and Appeals Board stated that it was well settled that the burden of proof is on

51. *Id.* at 467.

52. *Id.* at 466-67.

53. *Id.* at 467.

54. *Id.* at 468. On Nov. 8, 1978, the Trademark Trial and Appeal Board upheld the FTC's authority to bring cancellation actions under section 14 of the Lanham Act. *Federal Trade Comm'n v. Formica Corp.*, 200 U.S.P.Q. 182 (T.T.A.B. 1978). In a subsequent petition for writ of mandamus, *Formica Corp. v. Lefkowitz*, 200 U.S.P.Q. 641 (C.C.P.A. 1979), the court, in denying Formica's petition, stated that "[w]here, as here, the law at the time of the hearing on Formica Corporation's motion [to dismiss] was in such an unsettled state, the issue was definitely one for which 'a rational and substantial legal argument [could have been] made' in support of either position." *Id.* at 647. As of this writing, the final disposition of the case is still pending.

55. 149 U.S.P.Q. 585 (T.T.A.B. 1966).

56. *Id.* at 586.

57. *Id.*

the party "asserting that an otherwise arbitrary trademark . . . has become a common descriptive name for the article."⁵⁸ After "giving due consideration to the fact that opposer is the only manufacturer of laminated plastics to have used the term 'FORMICA' in connection with the sale thereof,"⁵⁹ the court decided "the showing made by applicant is considered to fall far short of establishing that 'FORMICA' has lost its primary significance as indicating laminated plastic materials of opposer's manufacture."⁶⁰ The FTC will now have the burden of showing that in the fourteen years since *Newman*, the term FORMICA has passed into the public domain.

IV. THE ROLE OF TRADEMARKS IN THE MARKETPLACE

Trademarks have become familiar items in our consumer oriented society.⁶¹ As of 1978, over one million trademarks had been registered, with over 400,000 estimated to be in active use.⁶²

Trademarks have been used for centuries as a means of identifying the origin or source of the goods to which they are affixed.⁶³ Trademarks were used in medieval times both to aid illiterate material handlers in identifying the owner of shipped goods and to aid the guilds in supervising their manufacture.⁶⁴ References to branding, perhaps the earliest form of trademark, are found as early as the Book of Genesis.⁶⁵

58. *Id.* at 587.

59. *Id.*

60. *Id.*

61. [T]he average American male is awakened by the alarm of a "Westclox" clock. He arises and walks on the "Callaway" or "Barwick" carpet to the bathroom. He brushes his teeth with "Ipana" toothpaste on a "Dr. West" toothbrush and applies "Foamy" shaving cream to be removed by a "Gillette" or "Schick" razor. After a stimulating shower with "Ivory" soap and while listening to the newscast from an "RCA" or "Philco" radio, he hurries into his "BVD" underwear, dons an "Arrow" or "Gant" shirt freshly laundered with "Duz" from the "Laundromat," puts on his "Elgin" watch and rushes downstairs to breakfast. In the kitchen, where the linoleum is bright with a coat of "Johnson's" wax, he snatches two slices of "Southern" bread from the "Toastermaster" toaster and consumes a cup of "Maryland Club" coffee and a glass of "Minute Maid" orange juice taken from the "Frigidaire" or "Coldspot" refrigerator. After breakfast he enjoys a "Lucky Strike" or "Winston" cigarette. Should he cut or burn his finger, he would apply "Vaseline" petroleum jelly or a "Band-Aid" bandage. He dons his new "Stetson" hat and drives his "Ford" automobile to work. On the way he will be reminded by his "Motorola" radio that "things go better with Coke."

Lunsford, *Trademarks: Prestige, Practice and Protection*, 4 GA. L. REV. 322, 322-23 (1970).

62. Dixon, *supra* note 1, at 464.

63. See Diamond, *The Historical Development of Trademarks*, 65 TRADEMARK REP. 265 (1975). See generally F. SCHECHTER, *THE HISTORICAL FOUNDATIONS OF THE LAW RELATING TO TRADEMARKS* (1925).

64. See Treece & Stephenson, *A Look at American Trademark Law*, 29 SW. L.J. 547 (1975).

65. *Genesis* 4:15.

Today, besides indicating origin, trademarks perform a variety of functions. Trademarks are a means of advertising.⁶⁶ The psychological appeal of trademarks is increasingly being made use of by advertisers and marketers.⁶⁷ For example, it is currently fashionable to display the designer's name or mark on clothing. Although such conspicuous consumption is often based on less than rational motivations, the law has seen fit to recognize the psychological appeal of trademarks.⁶⁸

Trademarks also serve to assure quality. "An important ingredient of the premium brand inheres in the consumer's belief, measured by past satisfaction and the market reputation . . . that tomorrow's can will contain the same premium product as that purchased today."⁶⁹ Indeed, many writers have dubbed this quality assurance function the trademark's principle contribution to our modern, complex marketing and distribution system.⁷⁰

Because of the important role trademarks play in the operation of our economy,⁷¹ the law has accorded them substantial protection.⁷² Trademarks, however, may also have harmful economic side effects.⁷³ Over time, they may become the common descriptive name of the product, thereby causing confusion⁷⁴ and deception in the market-

66. "Today, a trade-mark performs a three-fold function: (1) to indicate origin; (2) to guarantee; and (3) to advertise and sell." *Springfield Fire & Marine Ins. Co. v. Founders Fire & Marine Ins. Co.*, 115 F. Supp. 787, 792 (N.D. Calif. 1953).

67. See, e.g., *For Many Firms: New Names, New Images*, U.S. NEWS & WORLD REPORT, July 4, 1977, at 55.

68. "The protection of trademarks is the law's recognition of the psychological function of symbols. . . . Whatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears." *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.* 316 U.S. 203, 205 (1942).

69. *Federal Trade Comm'n v. Borden Co.* 383 U.S. 637, 651 (1966) (Stewart, J., dissenting opinion).

70. See generally Hanak, *The Quality Assurance Function of Trademarks*, 43 *FORDHAM L. REV.* 363 (1974). Those who oppose legislation to restrict the use of pharmaceutical trademarks are quick to point to the quality assurance function of the mark. "Drug products would appear on the market cloaked behind the anonymity of the name of their active ingredient, with the medicine of the least conscientious manufacturer undistinguished from that of the manufacturer who strives to maintain the highest standards." *PHARMACEUTICAL MANUFACTURER'S ASSOCIATION, DRUGS ANONYMOUS* 10 (1967).

71. See generally 1 J. MCCARTHY, *supra* note 2, §§ 3:1-5, at 85-96.

72. A trademark owner upon a showing that his mark has been infringed can obtain injunctive and monetary relief. See generally 2 J. MCCARTHY, *supra* note 2, §§ 30:1-32, at 328-70.

73. See generally Dixon, *supra* note 1, at 464.

74. Paul Rand Dixon, Commissioner of the FTC, describes the confusion a generic mark can produce:

Back in 1920, for example, a consumer with a headache and sore throat would have gone to his local pharmacist in search of relief. The following dialogue might then have taken place:

Consumer: "I'd like some aspirin, please."

place.⁷⁵ Such a situation facilitates the accumulation of excessive market power by particular manufacturers and may thereby operate to restrain competition. The law has long recognized, however, that when a mark becomes generic, that is, when it has become the product's common name, it no longer performs the vital economic functions for which it is accorded protection.⁷⁶

Instead, generic marks may operate to deceive consumers and restrain competition. When a mark has become generic, most of the public think that it stands for a class of products or services, rather than just a designation of origin. People for whom the trademark has become generic are thus misled as to the function of the word. They are, as a result, likely to seek out and pay for brands using the generic word, without giving adequate consideration to similar or identical products of competitors, because those competitors' products appear to be something other than "the real thing."⁷⁷

Courts recognized as early as 1878 that a trademark no longer deserved protection when it became a common descriptive name.⁷⁸ In that year, an English court held that the mark LINOLEUM had become generic for a particular type of floor and counter-top covering, that there was no longer any justification for according the mark protection, and that the mark had consequently passed into the public domain.⁷⁹ In the United States the law has followed the same course. Words such as shredded wheat,⁸⁰ yo-yo,⁸¹ aspirin,⁸² cellophane,⁸³ trampoline,⁸⁴ and thermos⁸⁵ were all at one time trademarks and the exclusive property of particular firms. Even the trademark SINGER, the

Pharmacist: "That'll be 10 cents for a box of Bayer Aspirin, sir."

Consumer: "Well, I was sort of hoping to spend a little less." (This is 1920, after all.)

Pharmacist: "Let's see now, we have some very fine Brand X acetyl salicylic acid in tablet form, for only 8 cents."

Consumer: But I don't want any silly sally acid, I want aspirin."

Pharmacist: "Well, sir, it's really just about the same thing."

Consumer: "Then why isn't it called aspirin?"

Id. at 465.

75. See generally Zivin, *Understanding Generic Words*, 63 TRADEMARK REP. 173 (1973).

76. Dixon, *supra* note 1, at 465.

77. *Id.*

78. *Linoleum Mfg. Co. v. Nairn*, 7 Ch. D. 834 (1878).

79. *Id.*

80. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111 (1938).

81. *Donald F. Duncan, Inc. v. Royal Tops Mfg. Co.*, 343 F.2d 655 (7th Cir. 1965).

82. *Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921).

83. *DuPont Cellophane Co. v. Waxed Prod. Co.*, 85 F.2d 75 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936).

84. *Nissen Trampoline Co. v. American Trampoline Co.*, 193 F. Supp. 745 (S.D. Iowa 1961).

name of the original product manufacturer, was at one time held to have passed into general use as the generic term describing a certain type of sewing machine.⁸⁶

Terms which are too descriptive also do not qualify for protection as trademarks. Descriptive terms are too depictive of what a product is, does, or what a product is made of. For example, the phrase "Brown Milled" was refused registration as a mark for surgeon's gloves because it was descriptive of the process of manufacture.⁸⁷ Similarly, Andes Candies, Inc., was refused registration of "Creme de Menthe" for "laminated chocolate mint candy squares" because it was too descriptive of the product's flavor.⁸⁸

Through years of exclusive use, however, a descriptive term may acquire secondary meaning.⁸⁹ Secondary meaning refers to the situation where a descriptive term has come to be accepted as a trademark; in other words, the term has taken on a separate significance as a product identification.⁹⁰ For example, Q-TIPS, though somewhat descriptive of cotton swabs, has been held as a valid trademark due to its acquired secondary meaning.⁹¹

The concept of descriptive terms and generic terms are closely related. There is a fine and perhaps indefinable line between descriptive and generic marks. "In a sense, a generic designation is the ultimate in descriptiveness."⁹² On what side of this imprecise line the mark falls is crucial.⁹³ "If determined to be generic, that term can never function as a mark or be given trademark protection; but if determined to be descriptive, the word can be given trademark protection upon proof of

85. *King Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577 (2d Cir. 1963). See generally *Zivin*, *supra* note 75, at 173.

86. *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169 (1896). *SINGER*, through long and continuous exclusive use, later regained its trademark status. *Singer Mfg. Co. v. Briley*, 207 F.2d 519 (5th Cir. 1953).

87. *American Hosp. Supply Corp. v. Rexall Drug & Chem. Co.*, 159 U.S.P.Q. 380 (T.T.A.B. 1968).

88. *In re Andes Candies, Inc.*, 478 F.2d 1264 (C.C.P.A. 1973).

89. 1 J. MCCARTHY, *supra* note 2, § 15:1, at 514.

90. "Secondary meaning is the magic wand of consumer recognition which may transform even the most common and descriptive term into a well-known . . . mark entitled to all the protection the law affords . . ." *Id.* at 519.

91. *Q-TIPS, Inc. v. Johnson & Johnson*, 108 F. Supp. 845 (D.N.J. 1952) *aff'd*, 206 F.2d 144, (3rd Cir.), *modified*, 207 F.2d 509 (3d Cir.), *cert. denied*, 346 U.S. 867 (1953).

92. 1 J. MCCARTHY, *supra* note 2, § 12:5, at 413.

93. Courts have reached opposite conclusions concerning the same term. Compare *American Aloe Corp. v. Aloe Creame Laboratories, Inc.*, 420 F.2d 1248 (7th Cir.), *cert. denied*, 398 U.S. 929, 400 U.S. 820 (1970) (finding a mark unprotectable because generic) with *Aloe Creame Laboratories, Inc. v. Milsan, Inc.*, 423 F.2d 845 (5th Cir.), *cert. denied*, 398 U.S. 928 (1970) (finding a mark not generic, but merely descriptive, and unprotectable due to lack of secondary meaning).

secondary meaning."⁹⁴

There are two kinds of generic words. First, words that are inherently generic such as "water", "ice", or "cola"⁹⁵ can never acquire secondary meaning and cannot function as a valid trademark for the particular product they describe. Then there are words such as "cellophane" that were once valid trademarks but have become so associated with the genus of product in the public's mind that they lose their trademark function.⁹⁶ The test determining whether a trademark has become generic remains the standard laid down by Judge Learned Hand in *Bayer Co. v. United Drug Co.*,⁹⁷ that is, do the buyers understand the trademark as a designation of source, or as the common name for what the product is. A finding of the latter justifies nonprotection of the mark on the ground of genericness. This is the standard the Federal Trade Commission must meet if it is to sustain its challenge of the FORMICA trademark.

VI. ALARM IN THE PHARMACEUTICAL INDUSTRY

Brand name drugs often sell at a cost two to ten times higher than their generic counterparts.⁹⁸ For example, EQUANIL, a brand name for the tranquilizer meprobamate, sells wholesale for \$7.06 per hundred⁹⁹ while a generic version sells for \$1.00 per hundred.¹⁰⁰ Because of such disparities, brand name prescription pharmaceuticals have been the subject of debate for many years.¹⁰¹ The fact that prescription pharmaceuticals usually fall outside the scope of health insurance coverage as well as the consumer movement of recent years are factors

94. 1 J. MCCARTHY, *supra* note 2, § 12:5, at 413-14.

95. See *Dixi-Cola Laboratories, Inc. v. Coca-Cola Co.*, 117 F.2d 352 (4th Cir.), *cert. denied*, 314 U.S. 629 (1941).

96. *DuPont Cellophane Co. v. Waxed Prod. Co.*, 85 F.2d 75 (2d Cir.), *cert. denied*, 299 U.S. 601 (1936).

97. 272 F. 505, 509 (S.D.N.Y. 1921). The test of genericness in this case, as stated by Judge Learned Hand, is simply:

What do the buyers understand by the word for whose use the parties are contending? If they understand by it only the kinds of goods sold, then, I take it, it makes no difference whatever what efforts the plaintiff has made to get them to understand more. He has failed, and he cannot say that, when the defendant uses the word, he is taking away customers who wanted to deal with him

Id.

98. See *FDA Drug List: Key to Generic Substitution*, FDA CONSUMER, Feb. 1979, at 15 [hereinafter cited as *FDA Drug List*].

99. DRUG TOPICS RED BOOK 188 (1980).

100. *Id.* at 290.

101. See, e.g., *An Rx Is Proposed for High-Priced Rx's*, CONSUMER REPORTS, Jan. 1975, at 48; *Generic Drugs: How Good Are They?*, FDA CONSUMER, Feb. 1978, at 19.

perhaps most responsible for generating the controversy.¹⁰²

Government, at both the state and federal level, has taken measures aimed at supplying consumers with lower priced drugs. For example, a large majority of states have displaced antisubstitution laws with legislation permitting or requiring the substitution of a generic equivalent when a doctor prescribes a brand name drug.¹⁰³ Antisubstitution laws, which for decades required pharmacists to fill prescriptions as written, also functioned to insure brand name market dominance.¹⁰⁴ The Food and Drug Administration (FDA) has encouraged prosubstitution legislation and has written a model substitution law and compiled an Approved Drug Product List which lists brand name drugs and their therapeutically equivalent substitutes.¹⁰⁵

Substitution legislation is of two basic varieties. The first type, adopted in a majority of states that have enacted substitution legislation,¹⁰⁶ leaves substituting a "generic equivalent"¹⁰⁷ for a brand name product within the discretion of the pharmacist. The second variety of substitution legislation, adopted in only a few states,¹⁰⁸ requires the pharmacist to substitute, subject only to specific prohibition by the prescribing physician or the purchaser. Alaska and New Mexico further require the pharmacist to advise the prescribing physician that he has altered the prescription.¹⁰⁹ Delaware allows a pharmacist to dispense a therapeutically equivalent generic only if the prescribing physician endorses substitution on the prescription and only if certain other condi-

102. See generally Ball, *supra* note 8, at 473-74.

103. See, e.g., ALASKA STAT. § 08.80.295 (1977); FLA. STAT. ANN. § 465.30 (West Supp. 1979); KY. REV. STAT. § 217.014, .822, .826, .894 (Supp. 1978); MASS. GEN. LAWS ANN. ch. 112, § 12D (Supp. 1979); MICH. COMP. LAWS § 333.17755 (Supp. 1979); N.J. STAT. ANN. tit. 24, § 6E-7 (West Supp. 1979); N.M. STAT. ANN. § 26-3-3 (1978); N.Y. EDUC. LAW § 6816-a (McKinney Supp. 1979); PA. STAT. ANN. tit. 35, § 960.3 (Purdon 1977); R.I. GEN. LAWS § 5-19-38 (Supp. 1978). See generally Willig, *The Prosubstitution Trend in Modern Pharmacy Law*, 6 U. MICH. J.L. REF. 1 (1972).

104. Since physicians usually prescribed by brand name, antisubstitution legislation required the pharmacist to fill the prescription as written with the higher priced brand name drug. For an example of an antisubstitution statute, see OKLA. STAT. tit. 59, § 353.21 (1971).

105. See *FDA Drug List*, *supra* note 98, at 15.

106. See, e.g., MINN. STAT. ANN. § 151.21 (West Supp. 1980); MONT. CODE ANN. § 37-7-505 (1979).

107. Whether generics are in fact equivalent is a subject of heated debate. See *Generic Drugs: How Good Are They?*, FDA CONSUMER, Feb. 1978, at 19; Ball, *supra* note 8, at 474; Willig, *supra* note 103, at 7.

108. See, e.g., ALASKA STAT. § 08.80.295 (1977); FLA. STAT. ANN. § 465.30 (West Supp. 1979); N.M. STAT. ANN. § 26-3-3 (1978); PA. STAT. ANN. tit. 35, § 960.3 (Purdon 1977).

109. ALASKA STAT. § 08.80.295 (1977); N.M. STAT. ANN. § 26-3-3 (1978).

tions are met.¹¹⁰ State substitution statutes are supposed to create incentive for pharmacists to stock low-priced brands while forcing "first brands to protect their sales by offering a lower price."¹¹¹

Perhaps of greatest concern to the pharmaceutical industry, keeping in mind the tenor of the arguments in the *REALEMON* and *Formica* actions, is a report issued by the FTC which concluded that pharmaceutical trademarks prevented low-priced generic substitutes from achieving market success.¹¹²

Some ninety percent of all prescriptions are written for brand name drugs.¹¹³ The authors of the FTC report discovered that it was the pharmaceutical trademark itself that insured this market domination. Physicians were so responsive to trademarks that even after the patent had run out on the drug product and a comparable low priced generic version became available, physicians continued to prescribe the much higher priced brand name.¹¹⁴ This situation stems not only from past satisfaction with pharmaceuticals sold under the trademark but also from the fact that most pharmaceuticals have three names. As Federal Trade Commission Chairman Michael Pertschuk described:

It is understandable that physicians do and will continue to prescribe by brand name. . . . It's easier and quicker. Most drug products have three names. Take Librium. It has a chemical name intelligible only to accomplished organic chemists, not pronounceable here; a generic name—chlordiazepoxide hydrochloride; and then a trade name which, if registered can be used exclusively. What busy physician wouldn't prefer a tradename such as Librium to the generic?¹¹⁵

The report suggests two solutions. First, the report recommends the repeal of all state antisubstitution statutes.¹¹⁶ This legislation is a remnant of the days when the drug industry was poorly policed. It guaranteed consumers the high quality the major brands had to of-

110. For example, the prescribed drug is not among the drugs or class of drugs which appear on Delaware's Nonequivalent Drug List. DEL. CODE ANN. tit. 24, § 2589 (Supp. 1978).

111. See R. BOND & D. LEAN, SALES, PROMOTION AND PRODUCT DIFFERENTIATION IN TWO PRESCRIPTION DRUG MARKETS 89 (1977).

112. "The trademark protection of brand names thus appears to bar the success of low-priced, substitute brands and, within the framework of the present drug distribution system, that barrier appears to be far more powerful than patent protection." *Id.* at 85.

113. *FDA Drug List*, *supra* note 98, at 17. See also ALBANY COLLEGE OF PHARMACY, 15TH ANNUAL PRESCRIPTION SURVEY (1971).

114. R. BOND & D. LEAN, *supra* note 111, at 85.

115. *FDA Drug List*, *supra* note 98, at 17.

116. R. BOND & D. LEAN, *supra* note 111, at 89.

fer.¹¹⁷ Second, the report proposes limiting all pharmaceutical trademarks to a single twenty year term.¹¹⁸ Thus, when the patents run out on the particular pharmaceutical, competitors would be able to use not only the chemical formula, but also the trademark the product originator adopted for the drug,¹¹⁹ denying the pharmaceutical industry the trademark protection given to others.¹²⁰ It is clear, however, considering the FTC's efforts in the *REALEMON* and *Formica* cases, that the Commission is not limited to these proposals. The arguments used in the *REALEMON* and *Formica* actions are potentially applicable to pharmaceutical trademarks.

VII. NEW ASSAULTS ON PHARMACEUTICAL TRADEMARKS

The FTC, citing *Formica* and section 14 of the Lanham Act, could potentially seek cancellation of particular pharmaceutical trademarks on the ground of genericness. Of the 200 most frequently prescribed drugs, 117 are available only from a single manufacturer. In such a situation the trade name of the product is likely to become, in the mind of the consumer, the name of the product; that is, what the product is. Section 14 of the Lanham Act arguably authorizes the FTC to pursue cancellation proceedings in cases where a mark has become the common name for a particular product.¹²¹

If the FTC sought to bring cancellation proceedings against certain pharmaceutical trademarks on the ground of genericness, the fact that prescription pharmaceuticals are not sold directly to consumers is

117. *FDA Drug List*, *supra* note 98, at 15.

118. R. BOND & D. LEAN, *supra* note 111, at 89-90.

119. Pharmaceutical patents are limited to a single seventeen year term. Senator Edward Kennedy's Drug Regulation Reform Bill would effectively limit pharmaceutical patents to seven years by allowing competitors to file abbreviated New Drug Applications after seven years of marketing by the original manufacturer. S. 1075, 96th Cong., 1st Sess. § 125, 125 CONG. REC. S13475 (daily ed. Sept. 26, 1979). Senator Kennedy, in support of the bill, has stated that:

Research and development is the backbone of the private sector. It is especially important in the pharmaceutical industry. This legislation recognizes the need to protect the innovative company's investment while at the same time largely eliminating duplicate testing. For the first 7 years after a new product is approved the second manufacturer must duplicate all the original data. After the seventh year, the product can be marketed without such a duplication, if they can demonstrate that they make an identical product. Because this is far less costly than duplicative testing, few firms are likely [*sic*] to spend the time and money to repeat the clinical trials. Thus, the originator has strengthened market protection for 7 years, and competitors have a much lower barrier to entry after the seventh year.

Id. at S13465 (remarks of Sen. Kennedy).

120. The buyer, however, could still differentiate brands by their manufacturer, *e.g.*, Parke-Davis Meproamate.

121. See 15 U.S.C. § 1064 (1976); Dixon, *supra* note 1, at 467.

recognized by the law and represents another obstacle an FTC action must overcome.¹²² Courts have distinguished between a professional class of buyers and the general public.¹²³ Since professionals will likely recognize a term which appears to the general public as a generic word to be a trademark, no confusion results and the particular term may continue to function as a trademark. For example, in *Bayer Co. v. United Drug Co.*,¹²⁴ involving infringement of Bayer Company's trademark for acetyl salicylic acid, ASPIRIN, the court recognized the distinction between two classes of buyers:

The case, therefore, presents a situation in which, ignoring sporadic exceptions, the trade is divided into two classes, separated by vital differences. One, the manufacturing chemists, retail druggists, and physicians, has been educated to understand that "Aspirin" means the plaintiff's manufacture, and has recourse to another and an intelligible name for it, actually in use among them. The other, the consumers, the plaintiff has, consciously I must assume, allowed to acquaint themselves with the drug only by the name "Aspirin," and has not succeeded in advising that the word means the plaintiff at all.¹²⁵

In *Bayer*, the court fashioned a remedy based on the distinction between the two classes of customers involved. Finding that ASPIRIN had become the popular name for acetyl salicylic acid among the general public, the court ruled that the defendant who had initially infringed the mark was thereafter free to sell the drug directly to consumers calling it "aspirin." At the same time, Judge Hand enjoined use of the word "aspirin" by the defendant in sales of quantities of greater than fifty tablets to "manufacturing chemists, physicians, and retail druggists."¹²⁶

Similarly, in *Ross-Whitney Corp. v. Smith, Kline & French Laboratories*¹²⁷ the court held that since the drug DEXEDRINE was sold only

122. See *Bayer Co. v. United Drug Co.*, 272 F. 505 (S.D.N.Y. 1921).

123. *Id.*

124. *Id.*

125. *Id.* at 513. Judge Hand continues:

If the defendant is allowed to continue the use of the word of the first class, certainly without any condition, there is a chance that it may get customers away from the plaintiff by deception. On the other hand, if the plaintiff is allowed a monopoly of the word as against consumers, it will deprive the defendant, and the trade in general, of the right effectually to dispose of the drug by the only description which will be understood.

Id. at 513-14.

126. *Id.* at 514.

127. 207 F.2d 190 (9th Cir. 1953).

on prescription, it was irrelevant that the general public thought the trademark to be a generic name since the prescribing physician knew it to be a valid trademark.¹²⁸ In defending its challenged trademark, Formica alleged that this distinction applied to its situation. Formica claimed that "90 percent of all decorative laminate is sold to or specified by professionals such as distributors, furniture manufacturers and designers."¹²⁹

The FTC, when bringing generic cancellation suits, will have to meet the standard laid down by Judge Hand in *Bayer Co. v. United Drug Co.*¹³⁰ and overcome the distinction made in case law between professional buyers and the general consuming public. Since pharmaceuticals are handled principally by a professional class, these factors might thwart efforts to cancel pharmaceutical trademarks on the ground of genericness.¹³¹

Compulsory trademark licensing is another method the Federal Trade Commission might pursue to restrict pharmaceutical trademarks. Compulsory trademark licensing could be requested as a remedy for violation of section 5 of the FTC Act.¹³² There is some authority for the proposition that a trademark will not be recognized if it has been used in violation of the antitrust laws. In *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss Jena*,¹³³ the court stated that "[a]lthough the issue is not free from doubt, we believe that a court, in the exercise of its equity powers, may deny enforcement of a trademark on the part of one who

128. *Id.* The court, paraphrasing 3 RESTATEMENT OF TORTS § 735, Illustration 3, at 613-14 (1938), stated:

A [Smith, Kline & French] invents a medicinal product for which he secures a patent and which he markets to druggists for resale. He gives the product the name [dextro-amphetamine sulfate] and markets it under the name [DEXEDRINE] as his trademark. He sells the product in bulk to druggists who then put it up in smaller packages and sell it to consumers as [DEXEDRINE] prepared by them. In the course of years [DEXEDRINE] becomes the only name by which the product is known to consumers and they regard the name as the generic designation for the product. Druggists, however, know the technical name and know that [DEXEDRINE] is A's [Smith, Kline & French's] brand name for the product. A's [Smith, Kline & French's] interest in the designation is then not protected in sales to ultimate consumers; but it is protected, as far as practicable, in sales to druggists.

207 F.2d at 195.

129. *Newsday*, July 2, 1979, at 531.

130. 272 F. 505 (S.D.N.Y., 1921).

131. Genericness suits by the FTC are in jeopardy on a second front. By a 321-63 vote on November 27, 1979, the House passed an authorization bill, H.R. 2313, that would bar the FTC from using funds to seek cancellation of trademarks that have allegedly become generic. *See House Passes Measure to Halt FTC Attacks on Generic Marks*, 457 PAT. T.M. & COPYRIGHT J. A-5 (1979).

132. 15 U.S.C. § 45 (1976).

133. 298 F. Supp. 1309 (S.D.N.Y. 1969).

has used that trademark in violation of the antitrust laws."¹³⁴

Thus, the Federal Trade Commission's finding that pharmaceutical trademarks are the source of monopoly power and function to restrain competition in the pharmaceutical industry justifies a remedy directed at the mark. A remedy directed at the trademark should not have been applied in the *REALEMON* case because, to a large extent, the antitrust violation was the product of various forms of anticompetitive behavior and not of use of the trademark. Most of the cases directing a remedy at a trademark have failed because the defendant failed to prove the trademark the activating force in the antitrust violation.¹³⁵

VIII. CONCLUSION

Compulsory licensing of pharmaceutical trademarks could potentially bring lower priced pharmaceuticals into the marketplace. The remedy, however, remains a drastic one and represents a severe departure from the traditional philosophy of trademark law and practice in the United States. Substitution legislation, on the other hand, in theory deals with the problem of high priced pharmaceuticals without knocking over the trademark appletart.

The actual success, however, of substitution legislation is mixed. The pharmaceutical industry, somewhat successfully, has attempted to undermine substitution efforts through advertising campaigns aimed at physicians.¹³⁶ The New York efforts at substitution, for example, are considered a dismal failure.¹³⁷

Governmental attempts to reduce the market domination of brand name pharmaceuticals are perhaps entering a new phase. Stringent substitution legislation, along with close monitoring of anticompetitive behavior by the industry,¹³⁸ will be utilized. But government determination to bring low priced drugs to consumers coupled with the new vigilance in the area of trademarks exhibited in the *REALEMON* and

134. *Id.* at 1314.

135. *See, e.g.,* Coca-Cola Co. v. Howard Johnson Co., 386 F. Supp. 330 (N.D. Ga. 1974).

136. *See Firms Criticized on Generic Law*, *Newsday*, July 27, 1978, at 41; 125 CONG. REC. S13465 (daily ed. Sept. 29, 1979) (remarks of Sen. Kennedy); PMA NEWSLETTER 6 (June 26, 1978).

137. *See Ball, supra* note 8, at 484 n.54.

138. FTC Chairman Pertschuk has promised that the Commission's staff would work with the FDA and appropriate state agencies to "vigilantly monitor attempts by the pharmaceutical industry to undermine substitution legislation." *Id.* at 484-85 n.54.

Formica actions suggests that the noose is again tightening around pharmaceutical trademarks.

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